

Message Text

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PAGE 01 TEGUCI 01295 272146Z

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-07 NSCE-00 CIAE-00

INR-10 NSAE-00 RSC-01 SSO-00 INRE-00 TRSE-00 COME-00

AGR-03 SWF-01 L-02 DRC-01 /053 W

----- 112171

O R 272056Z MAR 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC IMMEDIATE 6663

INFO AMEMBASSY BOGOTA

AMEMBASSY BRAZILIA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 1295

LIMDIS

E.O. 11652: GDS

TAGS: ETRD, PFOR, XK

SUBJECT: STANDARD FRUIT EXECUTIVE TALK WITH GENERAL LOPEZ

REF: TEGUCIGALPA 1252

SUMMARY: STANDARD FRUIT EXECUTIVES TALK TO OLA, AND
ACHIEVE NO CHANGE IN POSITIONS. IT DEVELOPS, HOWEVER, THAT
HONDURAS WILL BE DIFFERENTIALLY DISADVANTAGED BY FACT THAT
ECUADOR AND COSTA RICA WILL NOT IN EFFECT BE APPLYING SAME
AMOUNT OF SURCHARGE AS GOH. END SUMMARY.

1. STANDARD FRUIT VP WAITE BRIEFED DCM AND ECOMOFF ON
TODAY'S MEETING WITH MINECON BENNATON AND GENERAL LOPEZ.
HE SAID DISCUSSION WAS AMIABLE, BUT HAD NOT PRODUCED ANY
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PAGE 02 TEGUCI 01295 272146Z

MAJOR CHANGE IN POSITIONS.

2. STANDARD EXECUTIVES TOLD OLA RE COST:

A. THEY WERE CONVINCED THAT GOVERNMENTS WERE FIRM ON MATTER, AND DID NOT WANT TO CONFRONT OR ANTAGONIZE THEM.

B. THEY GAVE OLA SERIES OF COST QUOTATIONS AND DIFFERENTIALS PER BOX AS BETWEEN HONDURAS, COSTA RICA AND ECUADOR, EFFECTIVE APRIL 15: THESE WERE IN DOLLARS: FOB GULFPORT, HONDURAS 5.05, COSTA RICA 4.50, ECUADOR 3.60. FOB NEW YORK, HONDURAS 6.00, COSTA RICA 5.40, AND ECUADOR 3.75. BANANA QUALITY IN ALL COUNTRIES WAS ABOUT EQUAL.

C. UNDER CIRCUMSTANCES, STANDARD WOULD PROBABLY SHIP OUT WHATEVER ECUADORAN FRUIT WAS AVAILABLE, FOLLOWED BY PARTIAL SHIPMENTS OF COSTA RICAN FRUIT SUPPLIES. THERE WOULD BE NO SHIPMENTS FROM HONDURAS.

D. PRICE DIFFERENTIAL REFLECTED FACT THAT ECUADOR AT PRESENT WOULD NOT IMPOSE ANY TAX WHATEVER, WHEREAS COSTA RICA WAS ALSO UNABLE TO DO SO BECUASE OF ABSENCE OF LEGISLATION. COSTA RICA IN LIEU THEREOF WOULD REQUIRE STANDARD TO DEPOSIT ONE DOLLAR PER BOX "SURCHARGE" IN CENTRAL BANK AT OFFICIAL RATE (\$6.47), OF WHICH, HOWEVER, STANDARD WOULD MAINTAIN POSSESSION. STANDARD WOULD THEN BE FREE TO WITHDRAW DOLLAR AT FREE MARKET RATE (\$8.57), SUFFERING EXCHANGE LOSS OF THIRTY CENTS GOLD. IN EFFECT, STANDARD WOULD BE RECEIVING BACK SEVENTY AMERICAN CENTS OF THE DOLLAR SURCHARGE.

E. IN CONTRAST, HONDURAS WOULD BE CHARGING FULL DOLLAR, AND NOT REIMBURSING ANYTHING TO PRODUCERS.

F. THESE REPRESENTED CALCULATIONS DONE IN SAN FRANCISCO UP TO MIDNIGHT MARCH 26.

G. STANDARD STICKS BY ITS PREDICTION THAT SURCHARGE WILL CAUSE FIFTY PERCENT DROP IN MARKET.

3. CONCERNING LEGAL ACTION, EXECUTIVES TOLD OLA THAT
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PAGE 03 TEGUCI 01295 272146Z

ALTHOUGH THEY RESPECTED SOVEREIGN RIGHTS OF HONDURAS, FACT WAS THAT COMPANY HAD CONTRACT WITH GOH WHICH PROHIBITED UNILATERAL IMPOSITION OF NEW TAXES. UNDER U.S. LAW, EXISTENCE OF THIS CONTRACT VIRTUALLY OBLIGED STANDARD TO ASK FOR ARBITRATION, SINCE FAILURE TO DO SO WOULD MAKE EXECUTIVES LIABLE TO STOCKHOLDERS' SUIT. (THEY EXPRESSED "PERSONAL ESTIMATE" TO OLA, THAT THESE FACTORS WOULD ALSO FORCE UNITED FRUIT TO SIMILAR MOVE.) THEY HOPED GOH WOULD

RECOGNIZE NEED OF THIS STEP, AND NOT REGARD IT AS HOSTILE MOVE.

4. COMMENTING TO EMBASSY ON PROBLEM OF RECOURSE TO ARBITRATION, WAITE NOTED THAT ACTION MIGHT BE HELD UP FOR AWHILE, BUT THAT IF GOH SO WISHED, IT COULD BE SPEEDILY CONCLUDED. HE SPECULATED THAT IT MIGHT PROVIDE "WAY OUT" FOR OLA.

5. STANDARD ONLY PROVIDED OLA WITH FIGURES IN PARA TWO, BUT OFFERED TO FURNISH BENNATON WITH FULL CALCULATING DATA BEHIND THEM.

6. WAITE SAID THAT AS MINOR CHANGE IN POSITION, STANDARD EXPRESSED WILLINGNESS TO SHIP BANANAS FROM HONDURAS IF IT COULD FIND BUYERS AT GIVEN PRICES.

7. OLA LISTENED CAREFULLY AND THANKED EXECUTIVES FOR FRANKNESS, TELLING THEM HE WANTED TO STUDY PROBLEM FROM ALL SIDES AND WITH ALL AVAILABLE DATA.

8. COMMENTS: STANDARD'S POSITION HAS SHIFTED FROM "WE WON'T SHIP" TO "WE'LL SHIP IF SOMEONE WILL PAY PRICE," BUT THERE IS APPARENTLY LITTLE CHANGE IN RESULT FOR HONDURAS. WE MUST DOUBT HONDURAS WILL REMAIN ADAMANT ON \$1.00 BOX SURCHARGE IF NEIGHBORS DO NOT. THERE IS AMPLE TIME FOR GOH REVIEW OF MATTER BETWEEN NOW AND DATE OF APPLICATION OF TAX SET FOR APRIL 15.
SANCHEZ

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